

HB 719 Tax Credit for Child Care

This is a family-friendly bill. There is currently a gap in Montana's policies that aim to help working parents meet their needs for child care. If their income is low enough, they can qualify for state-sponsored scholarship and assistance programs. These programs enable thousands of low-income parents to meet their needs for child care while they are working for very low wages to provide for their family's needs.

With minimum wage increasing to \$6.15 an hour and child care costs between \$400 and \$700 per month, a parent working for minimum wage would make \$984 before taxes, and spend almost half of that for child care for one child. With two working parents, they would spend 25% of their income on child care.

This is, of course, why we have state-funded child care assistance programs. The problem is that the income cut-off for a family of two is \$19,800, \$24,900 for a family of three, and \$30,000 for a family of four. If the family owns a home - 69% of Montana families do own a home - they are more likely to itemize tax deductions and in that case, they can benefit from Montana's child and dependent care deduction.

The gap is in the middle. Left out is the family struggling to make ends meet, maybe even saving to buy a home, but does not qualify for child care assistance and also doesn't make enough income to benefit from itemizing tax deductions. The Tax Credit for Child Care Act aims to remedy this deficiency.

Who, and how many people would benefit from this program?

- 33% of all households in Montana have children and 25% of children live with single parents
- 65% of children under the age of 6 with working parents
- 74% of children aged 6-17 have working parents
- 28% of children live in low-income families
- *so 46% are living above low-income but with working parents*

How would HB 719 be administered?

- Individuals who qualify for federal child care tax credit would also qualify for Montana tax credit
- If they do not file for the federal credit, they may not file the state credit
- Since state income taxes in the \$31,000 - \$41,000 range are an average of 25% the rate of federal income tax, the state credit is set at 25% of the federal credit